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P R 281833 Z MAR 73

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 8241

INFO SECDEF WASHDC PRIORITY

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AMEMBASSY PARIS PRIORITY

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USMISSION GENEVA

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C O N F I D E N T I A L SECTION 1 OF 5 VIENNA 2505

GENEVA FOR DISTO, ALL OTHER MBFR CAPITALS VIA POUCH FROM US MBFR REP

E. O. 11652: GDS

TAGS: PARM

SUBJ: MBFR: MARCH 28 MEETING WITH USSR AND HUNGARIAN

REPS ON HUNGARIAN ISSUE

1. BEGIN SUMMARY: NETHERLANDS AND US REPS MET WITH HUNGARIAN AND USSR REPS MORNING OF MARCH 28 FOR FURTHER DISCUSSION ON THE HUNGARIAN QUESTION. MEETING WAS INCONCLUSIVE, WITH EASTERN SIDE REFRAINING FROM PUTTING FORTH NEW IDEAS AND ASKING FOR ELUCIDATION OF WESTERN THINKING BASED ON PREVIOUS DISCUSSIONS. IN THIS CONTEXT, MUCH OF DISCUSSION FOCUSED ON REVIEW OF ALLIED THINKING ABOUT POSSIBLE VARIANTS FOR LEAVING THE
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HUNGARIAN ISSUE OPEN, AND SPECIFICALLY ON CONCEPTS TO BE EMBODIED IN EITHER A POSSIBLE JOINT AGREED STATEMENT ON HUNGARY, OR ALTERNATIVELY IN COMPLEMENTARY HUNGARIAN AND ALLIED STATEMENTS ON THIS SUBJECT.

2. ALLIED REPS REVIEWED THREE POSSIBLE WAYS OF LEAVING THE HUNGARIAN QUESTION IN ABEYANCE. THESE WERE (1) A VARIANT LISTING 11 DIRECT PARTICIPANTS AND 7 SPECIAL PARTICIPANTS, ACCOMPANIED BY A THE GATT SYSTEM, BY WHICH THE POST-WAR

WORLD COULD BE FREED FROM THE ARBITRARY NATIONAL TRADE POLICIES OF THE 1930' S, RAN UP AGAINST LIMITS AT THE POINT WHERE SUFFICIENT RECIPROCITY COULD NO LONGER BE FOUND BETWEEN A POWERFUL PARTNER AND A LARGE NUMBER OF MEDIUM OR SMALL POWERS. THE EQUALITY OF ALL, EXPRESSED IN THE MOST- FAVORED- NATION RULE, CONTRASTED EXCESSIVELY WITH THE DE FACTO INEQUALITY OF THE PARTNERS IN TERMS OF THEIR WEIGHT, AND THUS SCOPE, IN THE TRADE FIELD.

5. FOLLOWING THE CREATION OF THE EEC, FIRST WITHIN THE MODEST LIMITS OF THE DILLON NEGOTIATIONS AND THEN WITH A BREADTH UNKNOWN BEFORE THE ADOPTION OF THE " TRADE EXPANSION ACT" BY THE AMERICAN CONGRESS (KENNEDY ROUND), THE INDUSTRIALIZED NATIONS,-- AND NOTABLY EUROPE AND THE UNITED STATES-- GRANTED EACH OTHER RECIPROCAL REDUCTIONS IN TRADE BARRIERS. THE COMMUNITY EMERGED FROM THESE NEGOTIATIONS WITH THE LOWEST CUSTOMS TARIFF AMONG THE GREAT TRADING ENTITIES, ALMOST HALF AGAIN LOWER THAN THE TARIFF THAT RESULTED FROM AVERAGING THE ORIGINAL TARIFFS OF THE MEMBER STATES. THE EXPECTATION, THEN THE IMPLEMENTATION, OF THIS VAST MOVEMENT OF LIBERALIZATION, ACCOMPANIED BY A VIRTUALLY UNINTERRUPTED ECONOMIC EXPANSION IN THE COMMUNITY, PERMITTED A REMARKABLE GROWTH IN INTERNATIONAL TRADE-- A DEVELOPMENT ON WHICH THE ECONOMIC WELL BEING OF RECENT DECADES HAS BEEN LARGELY BASED AND IN THE ABSENCE OF WHICH MANY POLITICAL PROBLEMS WOULD HAVE BEEN VERY CONSIDERABLY COMPLICATED.

6. FOR THE ENLARGED COMMUNITY, THEREFORE, THE TASK IS TO CONFIRM THE PURSUIT OF THIS SAME POLICY, TO WHICH THE ORIGINAL COMMUNITY CONTRIBUTED SO MUCH AND LIMITED OFFICIAL USE

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WHICH WAS SO FUNDAMENTAL FOR ITS ACTIONS. ONLY IN THIS WAY, MOREOVER, CAN THE COMMUNITY TAKE ON THE RESPONSIBILITIES THAT ARE INCUMBENT UPON IT, GIVEN THE IMPORTANCE OF ITS ECONOMIC RELATIONS WITH ALL OF THE CONTINENTS.

7. EVEN BEFORE ITS ENLARGEMENT, THE COMMUNITY HAD, ON SEVERAL OCCASIONS, STATED ITS POLITICAL WILLINGNESS TO UNDERTAKE LARGE- SCALE NEGOTIATIONS WITH ITS PARTNERS. IN FACT, THE COUNCIL DECLARED AS EARLY AS DECEMBER 1971, THAT " THE COMMUNITY IS PREPARED... TO PARTICIPATE IN OVERALL NEGOTIATIONS ON THE BASIS OF MUTUAL ADVANTAGE AND RECIPROCITY, AND INVOLVING AN EFFORT BY ALL THE PARTICIPANTS." THIS POLITICAL WILL WAS CONFIRMED IN THE " COMMON DECLARATION" ACCOMPANYING THE LIMITED AGREEMENT CONCLUDED IN EARLY 1972 WITH THE UNITED STATES, WHICH STATED THAT THE TWO ENTITIES WOULD " UNDERTAKE TO INITIATE AND ACTIVELY SUPPORT MULTILATERAL AND COMPREHENSIVE NEGOTIATIONS IN THE FRAMEWORK FO THE GATT..."

8. IN OCTOBER 1972, THE CONFERENCE AT THE SUMMIT SOLEMNLY CALLED ON THE COMMUNITY INSTITUTIONS TO DEFINE, BY JULY 1, 1973 AT THE LATEST, AN " OVERALL CONCEPT" TO THIS END. THE " SUMMIT", MOREOVER, ESTABLISHED THE GOAL OF CONCLUDING THE NEGOTIATIONS BEFORE THE END OF 1975. IN VIEW OF THIS, IT IS NECESSARY THAT ALL THE PARTNERS MAKE PREPARATIONS ACCORDINGLY IN ORDER TO BE IN A POSITION TO BEGIN REAL NEGOTIATIONS IMMEDIATELY AFTER THIS SUMMER.

9. THE DOCUMENT THAT THE COMMISSION IS NOW PRESENTING TO THE COUNCIL REPRESENTS THE DRAFT OF SUCH AN OVERALL CONCEPT. AT THE PRESENT STAGE, THERE IS NO QUESTION OF AN EXPOSE COVERING ALL THE NEGOTIATING POINTS ON WHICH THE COMMUNITY MUST ESTABLISH ITS POSITION WHEN THE TIME IS APPROPRIATE. THE DOCUMENT IS THUS LIMITED TO SKETCHING OUT, IN BROAD LINES, THE MANNER IN WHICH THE COMMUNITY SHOULD APPROACH THESE NEGOTIATIONS, THE AREAS TO BE COVERED AND THE BEST FORMULAE FOR ACHIEVING CONCRETE AND SATISFYING RESULTS FOR ALL OF THE PARTNERS.

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P R 281833 Z MAR 73
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TO SECSTATE WASHDC PRIORITY 8242
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C O N F I D E N T I A L SECTION 2 OF 5 VIENNA 2505

THEREFORE, IN ANY
MEASURE WHICH WOULD RELATE TO THE REDUCTION OF ARMED
FORCES AND ARMAMENTS IN THIS STRATEGIC REGION OF
EUROPEAN THE ROLE OF THESE TWO STATES MUST BE EQUAL. IN
DISCUSSIONS ON 14 MARCH AND IN SUBSEQUENT SESSIONS, THE ALLIED
REPRESENTATIVES HAD MENTIONED THAT THE ALLIED SIDE HAS TAKEN
ACCOUNT OF THE FACT THAT THERE ARE DIFFERENCES BETWEEN WARSAW
PACT AND NATO VIEWS ON THE PARTICIPATION OF ITALY AND HUNGARY,
AND THAT IN FUTURE MEASURES THE HUNGARIAN QUESTION SHOULD BE LEFT
OPEN, AND THAT THIS OUTCOME SHOULD BE RECORDED IN A NEUTRAL
WAY. IN ENSUING DISCUSSIONS, THE EASTERN SIDE HAD SOUGHT ON AN
UNOFFICIAL BASIS AND WITHOUT COMMITMENT TO FIND OUT WHAT IN
PRACTICE THE ALLIED CONCEPT OF A NEUTRAL APPROACH WAS IN PRACTICE.
THE EASTERN REPRESENTATIVES HAD HEARD A NUMBER OF STATEMENTS,
BUT STILL HAD NO CLEAR VIEW OF WHAT THE ALLIES HAD IN MIND BY A
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NEUTRAL APPROACH; THEREFORE HE AND HIS COLLEAGUES WOULD APPRECIATE IF THE ALLIED REPRESENTATIVES COULD FULLY AND EXACTLY SPELL OUT WHAT A NEUTRAL APPSSY COULD IN ADDITION NOTE THAT CONNECTION APPARENTLY BEING MADE BY SOVIETS BETWEEN PAN AM' S PROPOSED CHARTERS AND LEVEL OF SCHEDULED SERVICES IS NOT VALID. CHARTER PASSENGERS NORMALLY ARE NOT ATTRACTED TO SCHEDULED SERVICES FOR SIMPLE REASON OF PRICE. ADDITIONALLY, A HUGE GROUP SUCH AS THESE STUDENTS IS LITERALLY A ONE- SHOT, AD HOC TYPE OF PROGRAM WHICH SCHEDULED SERVICES ARE NOT EQUIPPED TO HANDLE.

5. LASTLY AND MOST IMPORTANT, PUTTING ISSUE IN BROADER CONTEXT, YOU SHOULD NOTE THAT TURNDOWN OF THESE CHARTERS AND RESULTING INCONVENIENCE TO THE TRAVELERS (IF IN FACT THEY END UP VISITING THE USSR AT ALL) DOES NOT SEEM CONSISTENT WITH THE ATTEMPT THE TWO COUNTRIES ARE MAKING TO IMPROVE THEIR RELATIONS. TOURISM IS CLEARLY A MAJOR POSITIVE FACTOR IN SUCH EFFORTS, AND CAN ONLY REDOUND TO THE BENEFIT OF BOTH SIDES IN THE LONG RUN. FACT THAT MANY OF THE STUDENTS COME FROM INFLUENTIAL FAMILIES (INCLUDING SEVERAL MEMBERS OF CONGRESS) IS NOT IRRELEVANT WHEN ONE CONSIDERS THE NEGATIVE IMPACT THE LAST MINUTE COLLAPSE OF THIS PROGRAM MIGHT HAVE.

6. SINCE FIRST PLANNED EASTBOUND FLIGHT IS APRIL 11 AND SINCE VISAS APPARENTLY BEING HELD UP BY SOVIETS IN ABSENCE APPROVED TRAVEL PLANS (ALTHOUGH HOTEL SPACE REPORTEDLY ALREADY CONFIRMED), THIS REPRESENTATION SHOULD BE MADE IMMEDIATELY.

7. DEPARTMENT IS MAKING ITS INTEREST IN POSITIVE RESOLUTION OF THIS MATTER KNOWN AFTERNOON MARCH 28 TO SOVIET DCM VORONTSOV. LINE WE ARE TAKING IS BASICALLY LIMITED OFFICIAL USE

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THAT IN PARA 5 ABOVE. ROGERS

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P R 281833 Z MAR 73
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C O N F I D E N T I A L SECTION 3 OF 5 VIENNA 2505

(B) ANOTHER CONCEPT WOULD BE TO THE EFFECT THAT, WHATEVER
ARRANGEMENTS ARE MADE REGARDING THE STATUS OF HUNGARY IN
THE PRESENT TALKS, THESE WOULD BE WITHOUT PREJUDICE TO THE NATURE
OF THE PARTICIPATION OF HUNGARY IN FUTURE DECISIONS, AGREEMENTS
OR MEASURES RELATING TO CENTRAL EUROPE.

(C) ANOTHER CONCEPT WOULD REFLECT THE IDEA THAT THE DEGREE OF
HUNGARY' S INCLUSION IN DECISIONS, AGREEMENTS OR MEASURES RELATING
TO CENTRAL EUROPE WHICH MAY BE AGREED IN THE PENDING NEGOTIA-
TIONS HAS NOT YET BEEN DETERMINED AND WOULD BE DECIDED LATER.

(D) THE LAST CONCEPT WOULD REFLECT THE IDEA THAT THE QUESTION
OF HOW AND TO WHAT EXTENT HUNGARY WOULD BE INCLUDED IN DECISIONS
AGREEMENTS OR MEASURES RELATING TO CENTRAL EUROPE WOULD IN FACT
BOTH BE EXAMINED AND DECIDED IN THE PENDING NEGOTIATIONS.
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12. US REP SAID, THAT RETURNING TO THE THREE POSSIBLE VARIANTS, THE THIRD OF THEM WOULD BE TO LIST 19 PARTICIPANTS, 11 DIRECT PARTICIPANTS INCLUDE AGREED FORMULA THAT THE DIRECT CATEGORY COULD BE ENLARGED AND FIRST ARAB OR AFRICAN STATE TO FOLLOW PATH OF DEMOCRACY WITH COURAGE AND IN CONTEXT OF NATIONAL UNITY". NOTION OF DEMOCRACY, HE POINTED OUT WITH NUMEROUS EXAMPLES, COMES FROM THE WEST " ESPECIALLY ENGLAND AND FRANCE". IT DOES NOT, HE STRESSED, DERIVE FROM ARAB OR MUSLIM TRADITION.

3. TURNING TO PRESENT TIME, BOURGUIBA STRESSED DANGERS AND PITFALLS OF DEMOCRATIC SYSTEM IN ASSURING " PERENNIALITY OF THE STATE". HE ARGUED ESSENTIALLY THAT TUNISIA WAS RELATIVELY SAFE ON THIS PATH " BECAUSE BOURGUIBA IS STILL HERE". CONTINUED THAT TUNISIA, WITH STABLE REGIME AND SERIOUS PEOPLE, CAN CONSIDER ITSELF AS A DEVELOPED COUNTRY BUT THERE STILL SOME PROBLEMS, NOTABLY IN ILLITERACY -- " NEGATION OF LIBERTY IN DEMOCRATIC REGIME" -- AND SPIRIT OF TRIBALISM -- " UNFORTUNATELY STILL ALIVE IN REGIONS LIKE GAFSA" (WHICH BOURGUIBA HAD JUST VISITED). HE SERVED NOTICE ONCE AGAIN THAT HE WOULD REMAIN PRESIDENT AS LONG AS POSSIBLE, STATING " AS LONG AS BOURGUIBA IS AROUND HE WILL ASSUME HIS RESPONSIBILITIES BECAUSE THE PEOPLE ARE FAITHFUL TO HIM".

4. BOURGUIBA DEFENDED HIS RECENT PROPOSALS FOR CONSTITUTIONAL AMENDMENT (TUNIS 1417), EVIDENTLY AGAINST SOME CRITICISM IN " LIBERAL" CIRCLES AND IN NATIONAL ASSEMBLY ITSELF. HE DEFENDED CHOICE OF PRIME MINISTER AS INTERIM SUCCESSOR TO PRESIDENT " IN ORDER AVOID TORGIVERSATIONS AND POSSIBLE DIVISIONS. THIS CHOICE " NOT DICTATED BY PERSONAL PREFERENCE FOR HEDI NOUIRA BUT ONLY BY NATION' S HIGHER INTEREST".

5. BOURGUIBA ALSO REBUKED BAHY LADGHAM (WHO WAS PRESENT FOR SPEECH) OPENLY, PARTICULARLY LADGHAM' S HANDLING OF BEN SALAH CASE. BURIED IN SPEECH WAS BOURGUIBA' S FIRST PUBLIC STATEMENT ON AHMED BEN SALAH' S ESCAPE FROM PRISON. BOURGUIBA NOTED THAT BEN SALAH HAD RECEIVED MILD SENTENCE AND HAD BEEN WELL TREATED IN PRISON, EVEN TO EXTEND THAT " HE WAS ABLE TO SCHEME FOR HIS ESCAPE". HE ALSO CONFIDED THAT WHEN NOUIRA INFORMED HIM OF ESCAPE, HE THOUGHT " THAT PERHAPS THIS WAS JUST AS WELL". HE LIMITED OFFICIAL USE

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INDICATED THAT HE WAS NOT PREPARED TO PARDON BEN SALAH, WHO HAD SERVED LESS THAN HALF OF SENTENCE, AND SINCE HE NOW PREOCCUPIED WITH REMOVING EVILS OF SITUATION THAT BEN SALAH

LEFT BEHIND.

6. FINALLY, BOURGUIBA ALSO MADE A GESTURE TOWARD INVITING THE " LIBERALS" TO COME BACK TO THE FOLD, BUT IN TERMS HARDLY DESIGNED TO WIN THEIR ACCEPTANCE. HE CALLED FOR " MISGUIDED SPIRITS TO RESUME THE RIGHT PATH" AND PARTICIPATE IN REENFORCING THE STATE AND IN SOCIAL DEVELOPMENT OF THE COUNTRY" .

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C O N F I D E N T I A L SECTION 4 OF 5 VIENNA 2505

17. THE HUNGARIAN REP THEN PICKED UP TIMERBAYEV'S EARLIER QUESTION ABOUT WHETHER THE LAST TWO CONCEPTS TO BE EMBODIED IN POSSIBLE STATEMENTS WERE NOT REDUNDANT. THE US REP EXPLAINED THE DIFFERENCE BETWEEN THE. THE HUNGARIAN REP THEN ASKED WHETHER POSSIBLE HUNGARIAN PARTICIPATION IN DECISIONS WOULD DEPEND ON A DECISION BOTH

BY HUNGARY AND BY THE 11 DIRECT PARTICIPANTS. ALLIED REPS
SAID THAT IT SHOULD BE ENVISAGED AS A JOINT DECISION.

18. THE HUNGARIAN REP THEN ASKED IF IT WAS REALLY NECESSARY TO
ENUMERATE THE 7 INDIRECT PARTICIPANTS IN THE THIRD
VARIANT DESCRIBED BY THE US REP. ALLIED REPS SAID IT WOULD
BE, AND REITERATED THE ALLIED VIEW THAT TO LIST HUNGARY
IN THIS CATEGORY OR TO IMPLY ITS MEMBERSHIP IN THIS GROUP
WOULD BE INEQUITABLE.
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19. THE HUNGARIAN REP THEN SAID THAT ALL OF THE VARIANTS
PUT FORTH BY THE ALLIED REPS WERE TO THE EFFECT THAT,
THROUGH LEAVING HUNGARY IN ABEYANCE, THE ALLIES WANTED
ASSURANCES THAT, IN CERTAIN CIRCUMSTANCES, HUNGARY WOULD
PLAY A ROLE AS A DIRECT PARTH CONFERENCE ON HOST GOVERNMENT VIEWS
OF DRUG
PROBLEM WOULD BE LESS MARKED THAN IF IT WERE HELD IN
CAPITAL OF COUNTRY WHICH POSES SERIOUS THREAT TO U. S.
BECAUSE IT HARBORS TRANSIT OR MANUFACTURING FACILITIES.
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P R 281833 Z MAR 73
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C O N F I D E N T I A L SECTION 5 OF 5 VIENNA 2505

A NEUTRAL APPROACH? HE AND HIS COLLEAGUES WOULD OF COURSE CAREFULLY ANALYZE THE IDEAS PUT FORTH IN THE DISCUSSION AND WOULD FORMULATE QUESTIONS TO ASK AT ANOTHER SESSION. HE HOPED THE ALLIES WOULD BE PATIENT WITH THESE QUESTIONS. HE DID, HOWEVER, HAVE THE IMPRESSION THAT THE ALLIES HAD NEGLECTED TAKE INTO ACCOUNT THE EASTERN POSITION WHICH HE HAD CLEARLY RESTATED AT THE BEGINNING OF THE MEETING. KHLESTOV THEN REITERATED THAT HUNGARY AND ITALY WERE PART OF THE SOUTHERN FLANKS OF THE WARSAW PACT AND NATO, AND MUST BE TREATED IN LIKE FASHION IN ANY AGREEMENTS ON ARMED FORCES OR ARMAMENTS IN CENTRAL EUROPE. THIS POSITION WOULD HAVE TO BE TAKEN INTO ACCOUNT IN FORMULATING ANY NEUTRAL APPROACH. KHLESTOV REPEATED THAT THE EASTERN SIDE WOULD CONSIDER CAREFULLY THE VIEWS PUT FORTH BY THE ALLIED REPS IN THE
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DISCUSSION, TO CHECK WHETHER THESE IDEAS WERE COMPATIBLE WITH A NEUTRAL APPROACH. HOWEVER HE THOUGHT THAT THE ALLIED REPS ALREADY HAD A CLEAR UNDERSTANDING OF THE EASTERN REACTION TO THEIR IDEAS.

2UM BETWEEN
DEVELOPED COUNTRIES AND LESS- DEVELOPED COUNTRIES WITHIN THE LIMITATIONS OF THEIR POSSIBILITIES OF EXPANSION WITHOUT CHANGING THE ADVANTAGES WHICH BENEFIT THOSE COUNTRIES WITH WHICH THE COMMUNITY ENJOYSSPECIAL RELATIONS. IN THIS CONNECTION, THE GRANTING OF GENERALIZED PREFERENCES BY THOSE DEVELOPED COUNTRIES WHICH HAVE NOT THUS FAR DONE SO WILL BE AN INDISPENSABLE ELEMENT FOR THE SUCCESS OF THE NEGOTIATIONS.

15. INDUSTRIAL TARIFFS. IN THE TARIFF FIELD THE FORTHCOMING TRADE NEGOTIATIONS MUST RESULT IN A

SIGNIFICANT REDUCTION OF CUSTOMS DUTIES.

16. THE FORMULA FOR TARIFF CUTS ON NON- AGRICULTURAL PRODUCTS MUST BE SIMPLE, GENERAL IN ITS APPLICATION AND, IF POSSIBLE, SO CONCEIVED AS TO AVOID ANY EXCEPTIONS.

17. WHILE RECOGNIZING THAT MUTUAL ADVANTAGE AND RECIPROCITY MUST BE SOUGHT ON AN OVERALL BASIS, TAKING ACCOUNT OF ALL ELEMENTS BEING NEGOTIATED, THE MAXIMUM POSSIBLE RECIPROCITY MUST BE SOUGHT IN THE DIFFERENT AREAS LOOKED AT INDIVIDUALLY INCLUDING, IN PARTICULAR, THE TARIFF FIELD.

18. THE TOTAL ELIMINATION OF ALL CUSTOMS TARIFFS HAS BEEN MENTIONED AS A WORKING HYPOTHESIS DURING PREPARATORY DISCUSSIONS FOR THE NEGOTIATIONS. GIVEN THE ACTUAL CONDITIONS OF INTERNATIONAL ECONOMICN LIMITED OFFICIAL USE

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RELATIONS, AND UNTIL THERE IS A CHANGE, SUCH A HYPOTHESIS DOES NOT SEEM REALISTIC; THIS IS THE CASE, ON THE ONE HAND, BECAUSE OF THE IMPORTANCE OF REMAINING CUSTOMS DUTIES FOR CERTAIN PRODUCTS AND CERTAIN COUNTRIES WHICH PROTECT ECONOMIC SECTORS THAT ARE PRESENTLY UNDERGOING REAL DIFFICULTIES IN MEETING COMPETITION AND, ON THE OTHER HAND, BECAUSE OF THE ABSENCE OF INTERNATIONAL ORGANIZATION AND HARMONIZATION OF INTERNATIONAL POLICIES IN VARIOUS FIELDS SUCH AS TAXATION, SOCIAL LEGISLATION AND INCENTIVES FOR ECONOMIC DEVELOPMENT.

19. THE FORMULA FOR REDUCTIONS CANNOT BE CONCEIVED WITHOUT TAKING INTO ACCOUNT THE SIGNIFICANT DIFFERENCES THAT EXIST AMONG THE CUSTOMS TARIFFS OF DEVELOPED COUNTRIES. THESE TARIFFS DIFFER BOTH IN THEIR GENERAL LEVEL AND IN THEIR STRUCTURE, WHICH MAY BE HOMOGENEOUS, OR ON THE CONTRARY, WIDELY DIFFERNENT ACCORDING TO THE PRODUCT INVOLVED. GIVEN THIS SITUATION, THE REDUCTION FORMULA TO BE ESTABLISHED SHOULD AIM AT BRINGING TOGETHER THE TARIFF STRUCTURES SO AS TO CREATE MORE EQUITABLE CONDITIONS FOR TRADE AND TO REDUCE PRESENT INEQUALITIES IN TARIFF PROTECTION IN THE DIFFERENT DEVELOPED COUNTRIES. THIS IS THE ONLY APPROACH THAT WILL MAKE IT POSSIBLE TO AVOID-- FOLLOWING A NEW REDUCTION IN TARIFFS-- A SITUATION IN WHICH CERTAIN OF THE TARIFFS ARE SO LOW THAT THE COUNTRIES CONCERNED CAN NO LONGER HOPE TO BE SUCCESSFUL IN OBTAINING REDUCTIONS IN HIGH

CUSTOMS DUTIES THAT WOULD BE RETAINED BY CERTAIN OF THEIR PARTNERS.

20. THE FORMULA FOR REDUCTION SHOULD, THEREFORE, PROVIDE FOR GREATER CUTS TO THE EXTENT THAT THE DUTY IN QUESTION IS HIGHER. IT WOULD BE WORTHWHILE TO ENVISAGE A THRESHOLD OR FLOOR BEYOND WHICH NO REDUCTION WOULD BE REQUIRED. THIS PROVISION WOULD AVOID A SITUATION IN WHICH CUSTOMS TARIFFS WHICH ARE VERY DIVERSIFIED MIGHT UNDERGO CUTS WHICH WOULD UNDERMINE THE SEARCH FOR RECIPROCITY.

21. THE FOREGOING METHODS WOULD CONTRIBUTE, IN THEIR LIMITED OFFICIAL USE

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TOTALITY. TO ASSURING A REDUCTION IN THE PROTECTION FOR THE ADDED VALUE WHICH RESULTS FROM THE INCREASED LEVELS OF CUSTOMS DUTIES ACCORDING TO THE STAGE OF MANUFACTURE. THEY WOULD PERMIT, MOREOVER, THE MAINTENANCE OF A MARGIN OF PREFERENCE IN FAVOR OF LESS- DEVELOPED COUNTRIES.

22. THE FOREGOING FORMULA WOULD IN NO WAY PRECLUDE THE POSSIBILITY OF SEEKING-- DURING THE NEGOTIATIONS AND ON THE BASIS OF RECIPROCITY-- CONCESSIONS GOING BEYOND THE GENERAL RULE AND AIMING AT THE ELIMINATION OF DUTIES ON CERTAIN PRODUCTS.

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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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Enclosure: n/a
Executive Order: GDS
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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980107
Subject: MBFR: MARCH 28 MEETING WITH USSR AND HUNGARIAN REPS ON HUNGARIAN ISSUE
TAGS: PARM
To: BONN
LONDON
PARIS
PM
SECSTATE WASHDC
USDOCOSOUTH
USLOSACLANT

USNMR SHAPE

WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005